

# SENATE RECORD VOTE ANALYSIS

104th Congress  
1st Session

Vote No. 82

February 28, 1995, 2:48 p.m.  
Page S-3275 Temp. Record

## BALANCED BUDGET AMENDMENT/Debt Limit (Social Security)

**SUBJECT:** A Resolution Proposing a Balanced Budget Amendment to the Constitution of the United States . . . H.J. Res. 1. Hatch motion to table the Graham amendment No. 259.

### ACTION: MOTION TO TABLE AGREED TO, 59-40

**SYNOPSIS:** Pertinent votes on this legislation include Nos. 62-63, 65-81, and 83-98.

As passed by the House, H.J. Res. 1, a resolution proposing a Balanced Budget Amendment to the Constitution, is virtually identical to the balanced budget constitutional amendment that was considered last year by the Senate (see 103d Congress, second session, vote Nos. 47-48). The resolution: will require a three-fifths majority vote of both Houses of Congress to deficit spend or to increase the public debt limit; will require the President's annual proposed budget submission to be in balance; and will require a majority of the whole number of each House to approve any bill to increase revenue. Congress will be allowed to waive these requirements for any fiscal year in which a declaration of war is in effect. Congress will enforce and implement this amendment by appropriate legislation. The amendment will take effect in fiscal year 2002 or with the second fiscal year beginning after its ratification, whichever is later. The States will have 7 years to ratify the amendment.

**The Graham amendment** would strike the clause "held by the public" from section 2. (Section 2 provides that "The limit on the debt of the United States held by the public shall not be increased, unless three-fifths of the whole number of each House shall provide by law for such an increase by a rollcall vote.")

Debate was limited by unanimous consent. During debate, Senator Hatch moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

**Those favoring** the motion to table contended:

The question asked by the Graham amendment is whether we should have a unified budget. We believe we should. Everything should be on board for economic purposes and for deficit purposes. Each year's outlays should match each year's revenues. It would

(See other side)

YEAS (59)			NAYS (40)		NOT VOTING (1)	
Republicans (53 or 100%)	Democrats (6 or 13%)		Republicans (0 or 0%)	Democrats (40 or 87%)	Republicans (0)	Democrats (1)
Abraham	Hutchison	Baucus		Akaka		Kerry- <sup>2</sup>
Ashcroft	Inhofe	Campbell		Biden		
Bennett	Jeffords	Heflin		Bingaman		
Bond	Kassebaum	Kerrey		Boxer		
Brown	Kempthorne	Moseley-Braun		Bradley		
Burns	Kyl	Simon		Breaux		
Chafee	Lott			Bryan		
Coats	Lugar			Bumpers		
Cochran	Mack			Byrd		
Cohen	McCain			Conrad		
Coverdell	McConnell			Daschle		
Craig	Murkowski			Dodd		
D'Amato	Nickles			Dorgan		
DeWine	Packwood			Exon		
Dole	Pressler			Feingold		
Domenici	Roth			Feinstein		
Faircloth	Santorum			Ford		
Frist	Shelby			Glenn		
Gorton	Simpson			Graham		
Gramm	Smith			Harkin		
Grams	Snowe					
Grassley	Specter					
Gregg	Stevens					
Hatch	Thomas					
Hatfield	Thompson					
Helms	Thurmond					
	Warner					

#### EXPLANATION OF ABSENCE:

1—Official Business  
2—Necessarily Absent  
3—Illness  
4—Other

#### SYMBOLS:

AY—Announced Yea  
AN—Announced Nay  
PY—Paired Yea  
PN—Paired Nay

be a grave mistake to allow a misguided concern for the future of Social Security under a balanced budget amendment to make us fracture the Federal budget into numerous independent pieces.

The amendment, in effect, is predicated on the assumption that when Social Security outlays begin exceeding revenues in 2013 the Federal Government will be unable or unwilling to pay Social Security benefits fully unless it has managed to reduce the non-Social Security debt by \$2 trillion in the interim. We find this assumption to be weak. No Federal program enjoys the support that the Social Security program supports, and that support is going to grow astronomically as more people begin to depend on it for benefits instead of paying taxes into it. The notion that this area of the budget is doomed to fall under the budget ax is simply untenable. Further, it should be noted that the Graham amendment would not protect Social Security from being cut for purposes of balancing the budget. If, with a \$6 trillion public debt limit (as proposed by the Graham amendment), Members were unwilling to raise additional revenue or borrow to pay fully Social Security benefits, they could simply cut those benefits by a majority vote. Nothing in this amendment would guarantee safety for the Social Security program; instead, all the Graham amendment would do is try to protect Social Security by having a lower Federal debt when Social Security outlays begin exceeding receipts.

Though we see little gain for Social Security in forcing the rapid reduction in debt as envisioned by the Graham amendment, we do see a lot to lose. This amendment would wreak havoc with the principle of having a unified budget. Under a unified budget, all receipts go into a common pool to pay for all spending, including trust fund receipts. Each year, receipts in this common pool are matched against spending. If spending exceeds receipts, money is borrowed "from the public." Such debt now totals \$3.5 trillion. When trust fund receipts go into the common pool they are replaced with Treasury debt instruments. Our colleagues, and we ourselves, have been calling these debt instruments "IOU's" as a way of emphasizing that the trust funds do not actually hold stockpiles of money. However, it is a mistake to consider these "IOU's" as debts in the traditional sense. Instead of being looked at as promises to repay money in the future, they should be viewed as promises of future Government spending. If a trust fund runs a deficit in a year, its stockpile of Treasury debt instruments is drawn down, meaning that the Government allocates additional revenue for spending to meet the purposes of that trust fund. In other words, trust fund surpluses act as mandates for spending in years in which such funds run deficits. The pay-go principle is not violated--running a surplus in one year essentially only creates a spending mandate in a future year that falls under that year's pay-go budgeting. Under the Graham amendment, though, the size of the debt would be exaggerated by requiring a three-fifths majority vote to raise the public debt limit. That limit includes "debt" that the United States owes to itself. As already explained, though, that debt is not the same as money that is borrowed from outside the Government; instead, it acts more as a future budget mandate.

In summary, the Graham amendment would have us put into the Constitution a supermajority vote requirement on raising the public debt, which does not accurately describe the indebtedness of our Nation. We would get nothing in return for stitching this faulty requirement into the Constitution, because the amendment would not provide specific protection for Social Security, which needs no protection in any event. Therefore, we urge our colleagues to table the Graham amendment.

**Those opposing the motion to table contended:**

We have proposed the Graham amendment because we do not want the balanced budget amendment to miss its mark. Though many Senators will vote for this Graham amendment as an effort to kill the balanced budget amendment, our intent in offering it is honestly to point out a major flaw that should be fixed. Whether the amendment is accepted or not, we will vote "yes" on final passage, but we hope that our colleagues will have first approved this Graham amendment.

As the balanced budget amendment is currently drafted, the strongest section is section 2, which will not allow the limit on the debt held by the public to be increased unless three-fifths of the whole number of each House vote for an increase. This limit is a hard-and-fast number that cannot be fudged with estimates. Members will dread being put into a situation of having to cast a vote to raise the debt limit and will thus work assiduously to avoid deficit spending.

Unfortunately, section 2 also contains the amendment's greatest flaw, because it will only apply to the debt "held by the public." Debts of the Federal Government that are owed to Federal programs will not be counted. Those debts are substantial. The current public debt limit is \$4.9 trillion. This limit includes all Federal debt, including Federal debt owed to Federal programs. By the end of this fiscal year, it is projected that the limit will have to be raised to accommodate the projected \$4.942 trillion in total projected debt. Debt owed to Social Security Trust funds will comprise \$488 billion of that total; debts owed to other Federal trust funds and programs will comprise an additional \$837 billion. The remaining \$3.5 billion will be debt that is "held by the public."

Under the terms of this balanced budget amendment, the \$1.325 trillion total in debt that is owed by the Federal Government to various programs and trust funds of the Federal Government will not be counted in the debt limit because it is not debt that is "held by the public." For most of this debt, this fact does not present any type of a budgetary problem because the debt is owed to programs that are operated on a pay-go basis. These programs include Civil Service retirement, military retirement, Medicare, transportation trust funds, and unemployment compensation. Basically, funds coming into the programs roughly equal the amounts going out. (Civil Service retirement is an exception; it has a surplus of \$346 billion at present and will add approximately \$30 billion per year for the next several years.) The only reason there is a debt for such programs is that it is common to build about a 1-year cushion to guard against unforeseen shifts in funding or benefits.

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For Social Security, though, the situation is different. An enormous, multi-year cushion is being built up to take care of the so-called "baby boomers" retirement. This cushion is necessary due to actuarial realities which cannot be denied. In the 30 years after World War II there was a huge increase in the number of babies born. Those babies are grown up, and they in turn are not having many children. When the baby boomers retire, they are expected to live much longer than previous retirees, and, because they had few children, there will not be many people paying into the Social Security System to pay for their retirement. The result will be fewer workers paying into the system to take care of more retirees. By 2002, when this balanced budget amendment will go into effect, there should be surpluses of \$1 trillion built up in the Social Security trust fund. In a little more than a decade approximately \$2 trillion more should accumulate. This surplus will then be drawn down rapidly, with the system going bankrupt in 2029 unless reforms are first enacted.

The way this balanced budget amendment will work is that it will cap the debt held by the public in 2002. This portion of the debt will remain the same, but debt owed to Social Security will climb. Social Security will continue to run surpluses, and those surpluses will continue to be spent. At its height, the Social Security retirement trust fund will be close to \$3 trillion. Once Social Security outlays begin to exceed receipts, that fund will be drawn down, and drawn down rapidly. The Federal Government will have to come up with \$3 trillion in additional revenues to pay for Treasury notes as they are redeemed by Social Security. By 2029, the full \$3 trillion will have been redeemed, assuming no changes have been made in the program. Frankly, with a \$5 trillion non-Social Security debt (including debt held by the public and debt owed to other Federal programs), we do not believe it will be possible for the Federal Government to come up with an additional \$3 trillion in revenue in the time frame allowed.

With the Graham amendment, though, there would only be a \$3 trillion non-Social Security debt, because the Graham amendment would count the additional \$2 trillion in Social Security surpluses that will be accumulated after 2002 under the debt limit. Under the Graham amendment, in 2002 the debt that would be covered by this balanced budget amendment would be all Federal debt, or approximately \$6 trillion, instead of just the approximately \$4 trillion in debt held by the public that there will be in 2002. The \$2 trillion in post-2002 Social Security surpluses would then be counted as debt, so the only way not to increase the debt limit with them would be to pay down a portion of the debt that is not owed to Social Security.

Thus, when the Social Security trust fund reached its \$3 trillion maximum, it would account for half the debt allowed under the \$6 trillion debt limit. Drawing the trust fund down would lower the total debt. Congress could therefore either raise new revenue to pay benefits or it could borrow the money from the public without exceeding the debt limit. Borrowing would not affect the debt because it would simply be trading a debt to the Social Security program for an equal debt to the public.

We believe that the Graham amendment offers a much more responsible treatment of trust fund reserves. It would require steep spending cuts or tax increases now in order to avoid crippling cuts or increases in the future. We hope our colleagues will see the merit of this proposal, and will join us in opposing the motion to table.